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August 20, 2020

<u>VIA, ELECTRONIC FILING</u>
The Honorable Jocelyn Boyd
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: **Docket 2019-184-E: Reply Comments on DESC's Proposed VIC Mitigation Protocol**

Ms. Boyd:

These Reply Comments are provided on behalf the South Carolina Solar Business Alliance, Inc. ("SBA"). I respectfully request that the Commission consider these Comments in the above-referenced Docket.

Pursuant to S.C. Code Reg. 103-825 of the Rules of Practice and Procedures of the Public Service Commission of South Carolina ("Commission"), and other applicable Rules and Regulations, the SBA by and through counsel, hereby files the following Reply Comments in response to the proposed mitigation protocols for reduction or avoidance of the Variable Integration Charge ("VIC") and/or Embedded Integration Charge ("EIC", and together with the VIC, "Integration Charges") filed with this Commission by Dominion Energy South Carolina ("DESC") on June 1, 2020. These Reply Comments further respond to the letter filed by DESC on August 10, 2020.

1. In its Comments filed on July 20, 2020, SBA made a few simple critiques of DESC's proposed mitigation protocol: (1) because DESC does not have a Commission-approved methodology for calculating Integration Charges, parties should be able to comment on the mitigation protocols after the conclusion of the integration study authorized by Act 62; (2) DESC's proposed solar site variability metric ("SSVM") is unreasonably stringent because it is based on each generator's <u>maximum</u> monthly variability, rather than some aggregate measure of variability; and (3) the proposed requirements for Sellers' monthly submittal of SSVM spreadsheets to DESC are unreasonably stringent and needlessly punitive.

2. As an initial matter, SBA must clarify that although the Commission has approved the imposition of an interim Integration Charge based on the assumption that DESC incurs "some measure of costs associated with solar integration that is properly reflected in an integration charge," neither the nature of those costs nor their measure has been approved by the Commission. *See* Order No. 2020-244 (Mar. 24, 2020) at 5 ("'In Power Advisory's opinion, DESC's proposed values for the VIC, and solar integration costs embedded in its proposed avoided costs, are not adequately supported by the evidence . . ..' This is consistent with the reconsideration now granted by the Commission."). Thus, while it is technically true, as DESC claims, that "it is undisputed that DESC's customers incur [some] additional costs as a result of variable, uncontrolled solar qualifying facilities ("QFs") on the DESC system," that is the *only* fact related to solar integration on DESC's system that is undisputed.

<u>Revisiting Mitigation Protocols after the Act 62 Integration Study</u>

3. DESC argues that the mitigation protocols should not be subject to further comment after the integration study called for by Act 62, because "the Protocols were specifically designed to ensure that the SSVM remains an accurate reflection of each Seller's contribution to the need for Integration Charges, regardless of the actual value of Integration Charges set by the

Commission." But as stated above, although the current (interim) Integration Charge and DESC's proposed mitigation protocols both assume Integration Charges are based on the cost of increased operating reserve requirements, the Commission has never found that this is an appropriate measure of integration costs for DESC. And the Commission's consultant, Power Advisory, concluded in its report on DESC's avoided cost calculations and methodologies that in assessing its integration costs "DESC did not adequately evaluate alternative means of ensuring adequate reserves. It is impossible to determine, based on the evidence submitted, whether combustion turbines or batteries would be cost-effective if other value streams were considered; if demand response targeted at providing flexible reserves appropriate for solar integration would be cost effective; or how likely it is that some kind of reserve sharing for solar integration will occur at some point over the period for which these rates would apply." Power Advisory Report on DESC Avoided Cost Calculations at 21-22.

4. These are the kinds of issues that the General Assembly intended the integration study authorized by Act 62 to address. It is not limited to simply quantifying Integration Charges that would result from maintaining additional operating reserves. As stated in the Act, "An integration study conducted pursuant to this section shall evaluate what is required for electrical utilities to integrate increased levels of renewable energy and emerging energy technologies while maintaining economic, reliable, and safe operation of the electricity grid in a manner consistent with the public interest." S.C. Code Ann. § 58-37-60(A). The appropriate scope of the study is subject to comment by interested parties and determination by the Commission. *Id.* So it is entirely possible, if not likely, that the integration study will lead to different ways of addressing variability, and thus different means of quantifying integration costs. This would naturally require revisiting any mitigation protocols.

5. In any event, the Commission need not decide now whether to allow additional comment on the mitigation protocols after the integration study. That issue can be decided after completion of the study.

Use of Maximum Monthly Variability in SSVM

6. In its Comments, SBA objected to DESC's use of the *maximum* one-hour variability of a solar generator in any five-minute period over the course of a month to determine whether the Seller qualifies for mitigation of Integration Charges. SBA argues that this "One Strike and You're Out" policy is unreasonably stringent, and does not reflect the actual change in DESC's integration costs when a seller fails to perfectly mitigate its variability.

7. DESC claims that this stringent metric is appropriate because the mitigation protocols provide a reduction of Integration Charges "that corresponds to the degree Sellers are actually able to reduce DESC's need for additional operating reserves by mitigating the magnitude of these unplanned drops in generation." The problem with this argument is that it assumes that in operating its system, DESC *actually* maintains the same level of operating reserves for a solar project that has no measures in place to reduce variability and for a solar project that has made substantial investments to control variability and has maintained an almost perfectly smooth generation profile, except for a single instance of high variability in a month. But DESC does not claim that it does this, and in fact has not explained how it will adjust its reserve requirements for projects that imperfectly control variability. However, SBA submits that it would be extremely wasteful (and thus, harmful to ratepayers) for DESC to maintain such high operating reserves for a solar generator that had only a single instance of high variability in a month.

8. SBA notes that the mitigation protocols employed by Duke Energy Progress and Duke Energy Carolinas (which have been filed with this Commission, pursuant to the Settlement Agreement entered into by the parties in the Duke avoided cost dockets) uses an aggregate "Solar

Volatility Metric" calculated as a ratio of the average daylight volatility (which is itself a composite metric) to the average daylight power output.[1] *See Proposed Guidelines for Qualifying Facilities to Become "Controlled Solar Generators" and thereby Avoid Application of the Solar Integration Services Charge*, Docket No. 2019-185-E and 2019-186-E (Nov. 18, 2019).

9. To be clear, SBA does not suggest (as DESC claims) that DESC simply look at the average output of a solar generator over an entire month in order to assess variability. SBA agrees that this would also not accurately measure variability and probably does not reflect DESC's reserve requirements. What SBA proposes is that DESC use *some* aggregate measure of variability (e.g., the average variability in the 5% highest variability periods in a month), rather than focus on the single highest variability period in the entire month. Because DESC has not described how it intends to calculate reserve requirements for otherwise-controlled generators that fail to meet the requirements of the protocol in a particular month, SBA is unable to formulate an alternative measure that accurately reflects the reduction in DESC's integration costs. SBA submits that the Commission should require DESC to describe how it actually intends to calibrate its monthly reserve requirements for such imperfectly controlled generators, and to propose an aggregate variability metric that corresponds to DESC's actual operating practices.

Requirements for submittal of SSVM spreadsheet

10. In its comments, SBA took issue with two administrative requirements of the mitigation protocols: (1) that Sellers must submit to DESC, within two business days of month-end, a spreadsheet detailing variability over the previous month, plus "all other information reasonably requested by Buyer to support Seller's calculation of the SSVM"; and (2) that any

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[1] SBA does not suggest that the Commission require DESC to adopt Duke's measure of variability, but cites this merely to demonstrate that DESC's sister utilities in South Carolina have adopted aggregate measures of solar variability in their mitigation protocols.

Seller that fails to deliver the SSVM spreadsheet for two consecutive months is permanently disqualified from mitigating its Integration Charges (for the duration of its contract), no matter how well it has controlled its variability.

11. With regard to the monthly deadline, DESC acknowledges that extending the two-day submittal period to five days, as suggested by SBA, will only impact Sellers. Nevertheless, DESC still opposes SBA's proposal, for no discernible reason. Given the lack of any reasoned objection to SBA's proposed change, SBA submits that the Commission should accept it.

12. DESC claims that the disqualification of Sellers who fail to submit their SSVM spreadsheets to DESC for two consecutive months is necessary to prevent "gaming" of the mitigation protocols by Sellers who do not "meaningfully invest" in efforts to reduce variability. Setting aside the fact that this rationale was completely absent from DESC's initial filing – if this is intended as an anti-gaming provision, it is a poorly thought out one. Because it does not prevent a Seller that makes no "meaningful investment" in reducing variability from submitting an SSVM spreadsheet every month, and simply taking credit for the reduction in costs when the weather cooperates.[2] It simply punishes – severely – Sellers who have made such investments and make an administrative error. And DESC provides no explanation why a project that makes substantial capital investments to mitigate variability should be forever required to pay the full amount of the Integration Charges (despite the fact that its reserve requirements are almost certainly lower) if it fails to email an Excel file to DESC on time two months in a row.

[2] Though SBA queries whether it might actually be appropriate to offer a VIC reduction credit to all sellers in months where the weather is such that DESC can predictably reduce the operating reserves it requires to mitigate the impacts of variability.

13. SBA submits that a reduction in Integration Charges should provide an adequate incentive to reduce variability and provide documentation to DESC, and that this punitive measure is unnecessary.

Respectfully Submitted,
WHITT LAW FIRM, LLC

/**s**/Richard L. Whitt
Richard L. Whitt,
As Counsel for the South Carolina Solar Business Alliance, Inc.

RLW/cas

cc: All parties of Record in Docket 2019-184-E, *via electronic mail*